

serves and circulation as at the close of 1899. The total gold resources of the Treasury and of the bank were 1,058,500,000 roubles, of which 732,900,000 roubles (\$376,500,000) was in the vaults of the bank and 169,100,000 roubles (\$87,000,000) in foreign bills, making the gold funds of the bank 902,000,000 roubles. As the outstanding circulation was then only 578,700,000 roubles, the notes were covered in the ratio of 156 per cent, by gold, and further paper issues would have been well within the limit of safety.<sup>1</sup> The Treasury, moreover, instead of being debtor to the bank, as in most European states, was a creditor to the amount of a free balance of 635,000,000 roubles.

If there was any doubt of the purpose of the Russian Government to adhere resolutely to a sound financial policy, it was set at rest by an official communication, appearing in the *Official Messenger* of May 13, 1904, which declared that "However seductive it might appear at first glance to make head against all the expenses of the war with the sole resources afforded by the normal elasticity of the circulation, the Ministry of Finance did not think proper to employ this method." A conference of the Committee of Finance definitely considered the proposal to suspend specie payments, as the Bank of France had done in 1870, in order to husband its gold, but decided that such a step would be unnecessary and harmful.<sup>2</sup>

Commercial credit showed some signs of disturbance at the prospect of war, and the fact that the monetary system had not yet been tested led to purchases of foreign bills in order to transfer capital abroad. Exchange on London rose in January, 1904, to ninety-five roubles (for £100), but offerings of bills soon exceeded the demand and the rate fell in December to 94.45 roubles.<sup>3</sup> The bank co-operated with the

<sup>1</sup> Helfferich, *Les Finances des Belligerents*, 81.

<sup>2</sup> *Le Marche Financier en 1904-05*, 926.

<sup>3</sup> *Le Marche Financier en 1904-05*, 929. The latter rate is close to the theoretical par, which is 94.5758.